

Message Text

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TAGS: ENRG, EGEN, BGEN, SA

SUBJECT: NEW ELECTRIC COMPANY FOR EASTERN PROVINCE

REF: JIDDA 5405

1. REF EMBTEL REPORTS AUGUST 6 "ARAB NEWS" ITEM ANNOUNCEING SAG COUNCIL OF MINISTERS HAD "RESOLVED TO SET UP A UNIFIED COMPANY FOR ELECTRICITY IN EASTERN PROVINCE.....". CLEARER ANNOUNCEMENT OF SAG PLANS TO ESTABLISH JOINTLY-OWNED ELECTRIC POWER COMPANY AIRED OVER RADIO RIYADH ON AUGUST 4: "COUNCIL OF MINISTERS YESTERDAY DECIDED TO FORM THE SAUDI CONSOLIDATED ELECTRIC COMPANY IN THE EASTERN PROVINCE WHICH WILL INCLUDE ALL ELECTRIC POWER COMPANIES OPERATING IN THE AREA. THE COMPANY WILL BE CAPITALIZED AT SR 5 BILLION. ARAMCO AND THE GOVERNMENT, REPRESENTED BY THE GENERAL ORGANIZATION FOR ELECTRICITY WILL BE SUBSCRIBERS, DR. HASAN AL-JAZAYIRI, MINISTER OF HEALTH AND ACTING MINISTER OF INFORMATION, TOLD THE SAUDI PRESS AGENCY. THE COUNCIL HAS FORMED A MINISTERIAL COMMITTEE (MINISTERS OF PLANNING, FINANCE, AND INDUSTRY AND ELECTRICITY) TO PUT THE ROYAL BACREE ESTABLISHING THE COMPANY INTO EFFECT."

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2. COMMONLY HELD BELIEF IS THAT SAG ESTABLISHED THE SAUDI CONSOLIDATED ELECTRIC COMPANY (SCECO) IN 1975. FACTS ARE AS FOLLOWS -- ON MARCH 2, 1975, COUNCIL OF MINISTERS ISSUED DECISION 168 WHICH, IN WORDS OF LAWYER CLOSELY INVOLVED IN SETTING UP SCECO, CREATED "NOTION" OF SCECO AND CALLED FOR FORMATION OF FOUNDERS COMMITTEE TO LAY PLANS TO FORM CONSOLIDATED ELECTRIC COMPANY. INCLUDED IN COMMITTEE WERE SEVEN PRIVATE CONCESSIONAIRE COMPANIES THAT WOULD BE ABSORBED INTO SCECO, THREE SAG ENTITIES, AND ARAMCO.

3. ON MAY 3, 1976, FOUNDERS COMMITTEE MET PSKSU DESPITE BEST OF INTENTIONS, CONSENSUS COULD NOT BE REACHED ON MECHANICS OF HOW TO GO ABOUT ESTABLISHING SCECO. PART OF PROBLEM WAS INABILITY OF FOUNDERS TO REACH AGREEMENT ON CALCULATING VALUE OF SEVEN CONCESSIONAIRE COMPANIES THAT WOULD BE BOUGHT UP BY SCECO. ALSO DECISION 168, IN WORDS OF LAWYER, "DID NOT DEFINE EACH LITTLE TURN IN THE ROAD TO GET TO SCECO". BY SUMMER OF 1975 IT WAS REALIZED THAT "EXPEDITED PROCEDURES" WOULD BE REQUIRED TO GET SCECO ON THE TRACKS.

4. ON NOVEMBER 12, 1975, DELIBERATIONS OF FOUNDERS' COMMITTEE WERE REVIEWED BY SAME MINISTERIAL COMMITTEE MENTIONED IN RADIO RIYADH NEWS ITEM (SEE PARA 1). THEY CONCURRED IN JUDGMENT OF FOUNDERS COMMITTEE THAT MORE AND STRONGER GUIDANCE WAS REQUIRED, BUT THEY ALLOWED THAT THEIR REVIEW AUTHORITY DID NOT PERMIT THEM TO RELEGISLATE DECISION 168. MATTER, THEREFORE, WAS PASSED BACK TO COUNCIL OF MINISTERS AND ITS DECISION OF AUGUST 3 PROVIDES MINISTERIAL COMMITTEE WITH STRONGER AUTHORITY TO GUIDE SCECO INTO BEING.

5. FIRST STEP TO BRING SCECO INTO EXISTENCE IS TO PERMIT SAG'S ELECTRIC UTILITY HOLDING COMPANY (GENERAL ORGANIZATION FOR ELECTRICITY) AND ARAMCO TO DO EARLY SPADE WORK OF LAYING FOUNDATIONS OF NEW ELECTRIC COMPANY. PART OF THIS STEP IS TO INSTRUCT THOSE AGENCIES TO START DRAFTING SCECO'S BYLAWS. BEFORE THOSE DRAFTING SESSIONS ARE VERY FAR ADVANCED IT IS ANTICIPATED THAT ROYAL DECREE WILL BE ISSUED WHICH WILL PERMIT ESTABLISHMENT OF SCECO'S, CYEV WHEN BYLAWS WRITTEN AND APPROVED BY MINISTERIAL COMMITTEE, SCECO CAN BE BROUGHT INTO BEING. BETTING IS THAT MINISTER OF INDUSTRY AND ELECTRICITY AL-GOSAIBI WILL PUSH TO HAVE BYLAWS WRITTEN AS RAPIDLY AS POSSIBLE TO PERMIT SCEPG TO BECOME OPERATIONAL SOON

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AFTER END OF RAMADAN. ONCE SCECO AN OPERATIONAL ENTITY, NEGOTIATIONS CAN THEN COMMENCE TO BUY OUT SEVEN ELECTRIC POWER COMPANIES PRESENTLY OPERATING IN EASTERN PROVINCE.

6. WHILE THE PROBLEMS OF FOUNDING SCECO ARE BEING SORTED OUT, THE ELECTRIFICATION OF THE EASTERN PROVINCE IS GOING AHEAD AT A PACE UNMATCHED IN REST OF COUNTRY. A RURAL ELECTRIFICATION PROGRAM IS BEING IMPLEMENTED AT OASIS LEVEL WHILE THE POWER GENER-

ATING PORJECT AT BERRI IS NEARLY READY TO BRING ITS FIRST 78 KV
GENERATOR UNIT ON LINE. AT SAME TIME, WORK IS ABOUT TO START ON A
320-MILE-LONG, 230 KV TRANSMISSION LINE DESIGNED TO KNIT
THE PROVINCE INTO A POER GRID. LAST TWO NAMED PORJECTS ARE UNDER
ARAMCO SPONSORSHIP AND, TOGETHER WITH EXISTING ARAMCO ELECTRIC
POWER FACILITIES, WILL FORM THE PRODUCTION CORE OF SCECO.
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